

Message Text

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60

ACTION EB-11

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF STATE 53993

THE UPDATED FOREIGN INVESTMENT STATEMENT AND
STATISTICS FOLLOW:

"NEW ZEALAND

FOREIGN INVESTMENT IS WELCOME IF IT CONTRIBUTES TO THE DEVELOP-
MENT OF NEW ZEALAND'S NATURAL RESOURCES AND HUMAN SKILLS TO THE
BENEFIT OF THE COUNTRY AND PRESERVES A SOCIAL AND PHYSICAL ENVIR-
ONMENT WHICH PROMOTES WELL-BEING OF ALL NEW ZEALANDERS.

POLITICAL STABILITY, AN EDUCATED AND INDUSTRIOUS POPULATION AND
AN EXPANDING ECONOMY MAKE A GOOD INVESTMENT CLIMATE. THERE IS NO
OFFICIAL BIAS, AND LITTLE PUBLIC BIAS, AGAINST AMERICAN INVESTMENT.
HOWEVER, INVESTMENT BY A LARGE MULTINATIONAL COMPANY COULD INCUR
PUBLIC CRITICISM ESPECIALLY IF THE INVESTMENT INVOLVES
A TAKEOVER OF A LOCAL FIRM.

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CRITERIA FOR APPROVAL OF FOREIGN INVESTMENT PROPOSALS INCLUDE:
ACCESS TO NEW TECHNOLOGY AND RESEARCH AND EXPORT MARKETS; CONTRIBUTION TO INDUSTRIAL GROWTH, EFFICIENCY AND PRODUCTIVITY; IMPACT ON COMPETITIVENESS; EFFECT ON THE BALANCE OF PAYMENTS; EXTENT OF LOCAL PARTICIPATION; EFFECT ON EMPLOYMENT; AND CONTRIBUTION TO REGIONAL DEVELOPMENT. SUBSTANTIAL BENEFITS TO THE NEW ZEALAND ECONOMY MUST BE DEMONSTRATED FOR A TAKEOVER OF A LOCAL FIRM. NEW REGULATIONS BE BE PUBLISHED SOON
WILL CONSOLIDATE AND UPDATE EXISTING LAWS AND REGULATIONS FOR FOREIGN INVESTMENT.

IMPORT LICENSING AND HIGH DUTIES PROTECT DOMESTIC INDUSTRIES.
THE NEW ZEALAND-AUSTRALIA FREE TRADE AGREEMENT ALLOWS FREE ENTRY INTO AUSTRALIA OF CERTAIN PRODUCTS THUS ENCOURAGING THEIR MANUFACTURE IN NEW ZEALAND FOR THE AUSTRALIAN MARKET. TAX INCENTIVES ENCOURAGE RESEARCH, NEW PLANT, EXPORT PROMOTION AND TOURIST PROMOTION AND ACCOMMODATION. SPECIAL INCENTIVES ENCOURAGE REGIONAL DEVELOPMENT. NEW ZEALAND HAS A DOUBLE TAXATION AGREEMENT WITH THE U.S. PRICE AND WAGE CONTROLS ARE IN EFFECT TO COUNTER INFLATION. UNEMPLOYMENT IS VIRTUALLY NON EXISTENT.

DURING 1971-72 THE UNITED STATES REPLACED THE UNITED KINGDOM AS THE PRINCIPAL SINGLE SOURCE OF FOREIGN INVESTMENT IN NEW ZEALAND. JAPANESE INVESTMENT IS INCREASING SIGNIFICANTLY.

GOVERNMENT APPROVAL IS NEEDED TO FORM A COMPANY 25 PERCENT OR MORE FOREIGN OWNED. RAISING FUNDS OR ACQUIRING LAND IN NEW ZEALAND BY FOREIGN OWNED COMPANIES IS RESTRICTED. CAPITAL REPATRIATION AND PROFITS REMITTANCE, THOUGH SUBJECT TO CONTROL, ARE FREELY ALLOWED IN PRACTICE. INCORPORATED SUBSIDIARIES OF OVERSEAS COMPANIES PAY A 15 PERCENT WITHHOLDING TAX ON INTEREST AND DIVIDENDS PAID TO THE OVERSEAS PARENT.

A NEW OVERSEAS INVESTMENT ACT ESTABLISHED A COMMISSION TO EXAMINE FOREIGN INVESTMENT PROPOSALS.

A PROPOSED FAR REACHING COMMERCE LAW WILL CONSOLIDATE AND UPDATE TRADE PRACTICES AND PRICE CONTROL LEGISLATION. CERTAIN PROVISIONS ESPECIALLY ON CONTROL OF MONOPOLIES, MERGERS AND TAKEOVERS MAY INFLUENCE FOREIGN INVESTMENT PROPOSALS.

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PRIVATE DIRECT INVESTMENT (\$ MILLIONS)

1. US DIRECT INVESTMENT STATISTICS - 1972
REPORTED IN SURVEY OF CURRENT BUSINESS

2. DIRECT INVESTMENT IN THE BY FOREIGNERS - 1972
FIGURES NOT AVAILABLE. PROBABLY LESS THAN US\$1

MILLION, CONSISTING SOLELY OF INVESTMENT IN SALES
AND DEVELOPMENT OFFICES OF NEW ZEALAND FIRMS
OPERATING IN THE US.

3. DIRECT INVESTMENT BY ALL COUNTRIES-1972

BOOK VALUE AT YEAR END	US\$
A. TOTAL, INCLUDING US	1630
OTHER COUNTRIES:	
(I) UNITED KINGDOM	720 #
(II) AUSTRALIA	470 #
(III) JAPAN	80

INCLUDES FIRMS CONTROLLED BY US PARENTS
THROUGH UNITED KINGDOM AND AUSTRALIAN
SUBSIDIARIES.

SOURCE POST ESTIMATE

NOTE: ALL FIGURES SHOULD BE VIEWED AS VERY
GENERAL ESTIMATES ONLY.

3.(CONTD)

THE GOVERNMENT OF NEW ZEALAND DOES NOT PUBLISH
CUMULATIVE STATISTICS ON FOREIGN INVESTMENT.
THE ONLY STATISTICS IT DOES PUBLISH ARE THOSE
CONCERN WITH "INVESTMENT CHANGES ON FIRMS
RESIDENT IN NEW ZEALAND AND CONTROLLED FROM
OVERSEAS IRRESPECTIVE OF THEIR LEGAL ORGANIZATION."
THESE FIGURES HAVE BEEN MAINTAINED SINCE FISCAL
YEAR 1960-61. FOR THIS REASON, COMPARISON OF
THE ABOVE FIGURES WITH THOSE FROM ANOTHER SOURCE
(I.E. SURVEY OF CURRENT BUSINESS) IS EXCEEDINGLY
DIFFICULT."

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THE ABOVE STATEMENT AND STATISTICS REFLECT THE CURRENT
INVESTMENT CLIMATE. AS WILL BE NOTED IN THE STATEMENT NEW
REGULATIONS ON FOREIGN INVESTMENT IN NEW ZEALAND ARE ABOUT
TO BE PROMULGATED. THE TRANSMISSION OF THE ABOVE STATEMENT
WAS DELAYED IN THE EXPECTATION THAT ANY CHANGES IN GNZ
TREATMENT OF FOREIGN INVESTMENT IN THE NEW REGULATIONS
COULD BE REFLECTED. THE EMBASSY NOW UNDERSTANDS THAT IT
COULD BE SOME WEEKS YET BEFORE THEY WILL BE ISSUED. FROM
MTFVRPATION THE EMBASSY HAS BEEN ABLE TO OBTAIN, IT IS
BELIEVED THE STATEMENT ADEQUATELY TAKES INTO ACCOUNT THE
TENOR OF THE REGULATIONS. IF THERE ARE ASPECTS WHICH
NOTABLY CHANGE THE INVESTMENT CLIMATE FROM THAT IN THE
ABOVE TEXT THESE WILL BE REPORTED.
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